

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57086; File No. SR-Phlx-2007-90)

January 2, 2008

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to the \$1 Strike Pilot Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 12, 2007, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. On December 28, 2007, the Exchange filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Commentary .05 to Phlx Rule 1012 (Series of Options Open for Trading) to expand the \$1 Strike Pilot Program (“\$1 Pilot”) and to request permanent approval of the \$1 Pilot.⁴ The text of the proposed rule change is available at the Exchange, the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange states that Amendment No. 1 to the proposed rule change supersedes and replaces the original filing in its entirety.

⁴ The Commission approved the \$1 Pilot on June 11, 2003. See Securities Exchange Act Release No. 48013 (June 11, 2003), 68 FR 35933 (June 17, 2003) (SR-Phlx-2002-55). The \$1 Pilot has subsequently been extended through June 5, 2008. See Securities Exchange Act Release Nos. 49801 (June 3, 2004), 69 FR 32652 (June 10, 2004) (SR-Phlx-2004-38) (extending the \$1 Pilot until June 5, 2005); 51768 (May 31, 2005), 70 FR 33250 (June 7, 2005) (SR-Phlx-2005-35) (extending the \$1 Pilot until June 5, 2006); 53938 (June 5, 2006), 71 FR 34178 (June 13, 2006) (SR-Phlx-2006-36) (extending the \$1

Commission's Public Reference Room, and www.phlx.com.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to expand the number of options classes eligible for the \$1 Pilot and to request permanent approval of the \$1 Pilot and thereby provide investors with greater flexibility in the trading of equity options that overlie lower priced stocks and allow equity options positions that are better tailored to meet investment objectives.

The \$1 Pilot, under the terms set forth in Commentary .05 to Phlx Rule 1012, currently allows the Exchange to establish \$1 strike price intervals on options classes overlying no more than five individual stocks designated by the Exchange where: (1) the underlying stock closes below \$20 on the primary market on the trading day before selection by the Exchange; (2) the \$1 strike price is from \$3 to \$20; (3) the \$1 strike price is no more than \$5 above or below the closing price of the underlying stock on the preceding day; and (4) the \$1 strike price is not within \$0.50 of

Pilot until June 5, 2007); and 55666 (April 25, 2007), 72 FR 23879 (May 1, 2007) (SR-Phlx-2007-29) (extending the \$1 Pilot until June 5, 2008). The other options exchanges have similar \$1 strike price listing programs that were likewise extended through June 5, 2008.

